



# FY 2023 Budget Recommendation

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Alex J. Adams  
DFM Administrator

# Outline

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- Key Considerations in Budget Development
- Managing the Uncertainty of Revenue
- FY 2023 Budget Recommendation
- Topline Summary

# A Tale of Two Economic Realities

Bonds

## Idaho scores Fitch upgrade to AAA as it manages population boom

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## Idaho's Projected Budget Surplus Climbs to \$1.6 Billion

Idaho State

## Idaho's unemployment rate drops to 2.6% in November

By KMVT News Staff

U.S. GOVERNMENT ACCOUNTABILITY OFFICE: A Century of Non-Partisan, Fact-Based Work

FOR CONGRESS

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BID PROTESTS & APPROPRIATION

## The Federal Government Is on an Unsustainable Fiscal Path

Economics

## Inflation Near 40-Year High Shocks Americans, Spooks Washington

By Reade Pickert and Matthew Boesler

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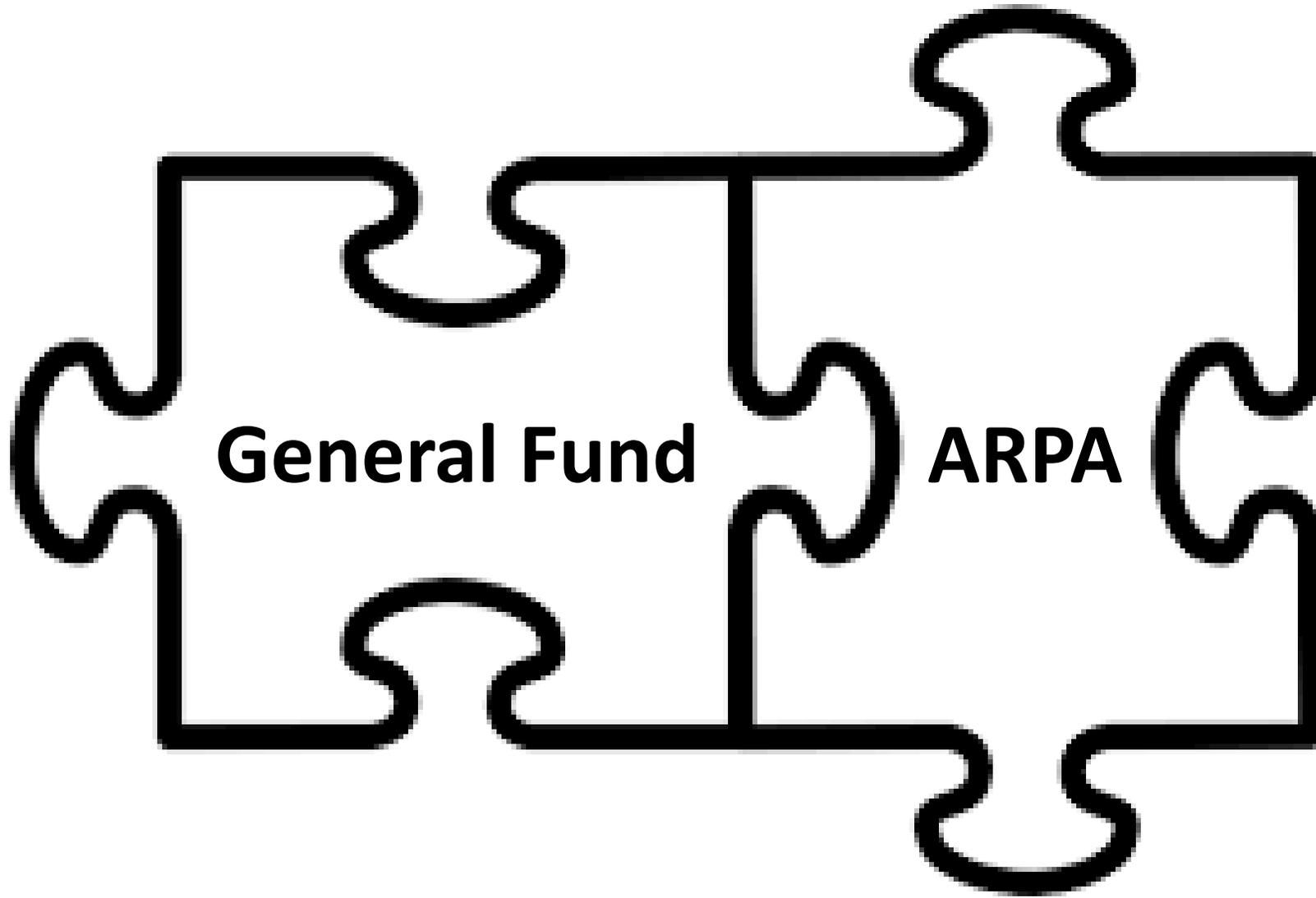
WATCHLIST

CRAMER

PRO

## There are millions of jobs, but a shortage of workers: Economists explain why that's worrying

PUBLISHED WED, OCT 20 2021 9:54 AM EDT | UPDATED WED, OCT 20 2021 6:45 PM EDT



**General Fund**

**ARPA**

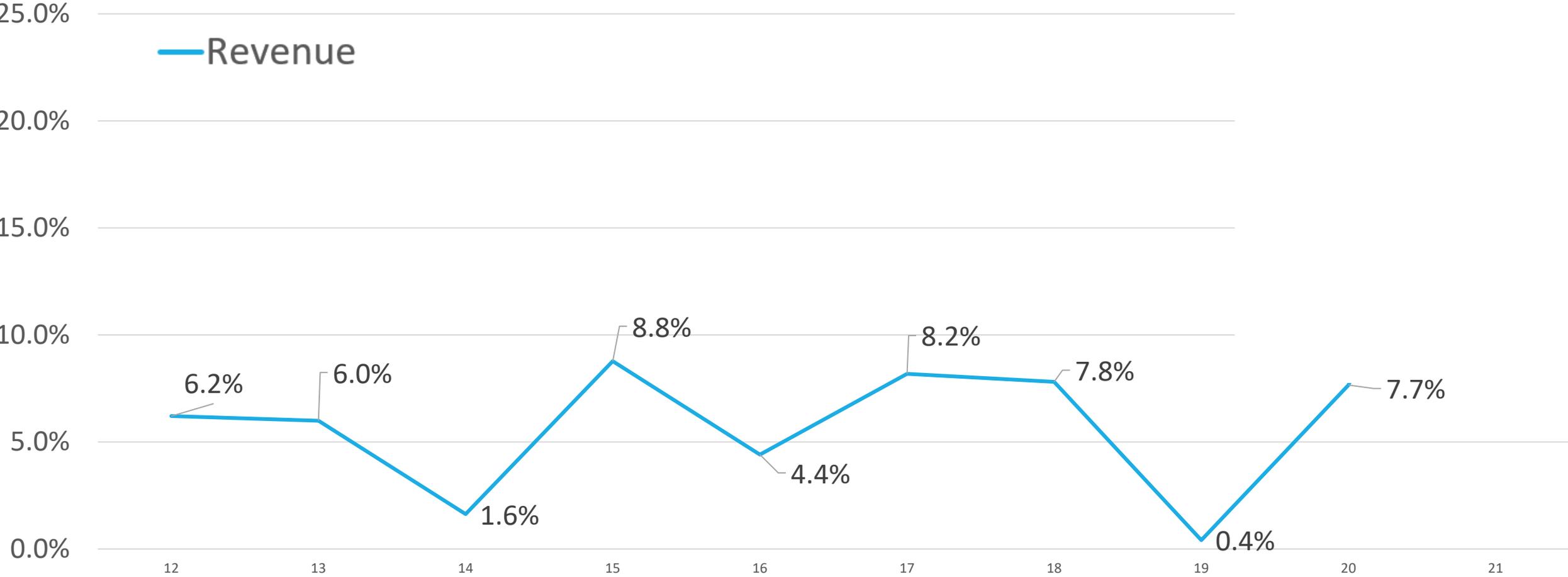
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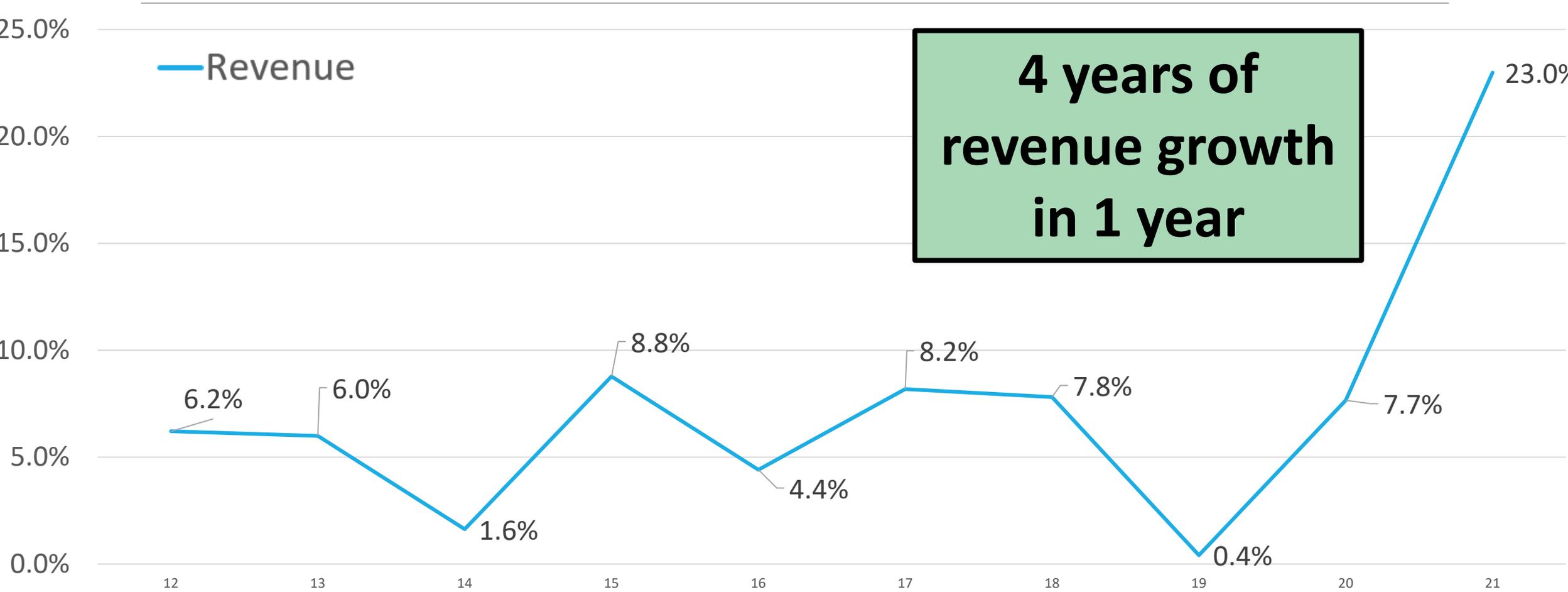
- Key Considerations in Budget Development
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# 10-Year General Fund History

— Revenue

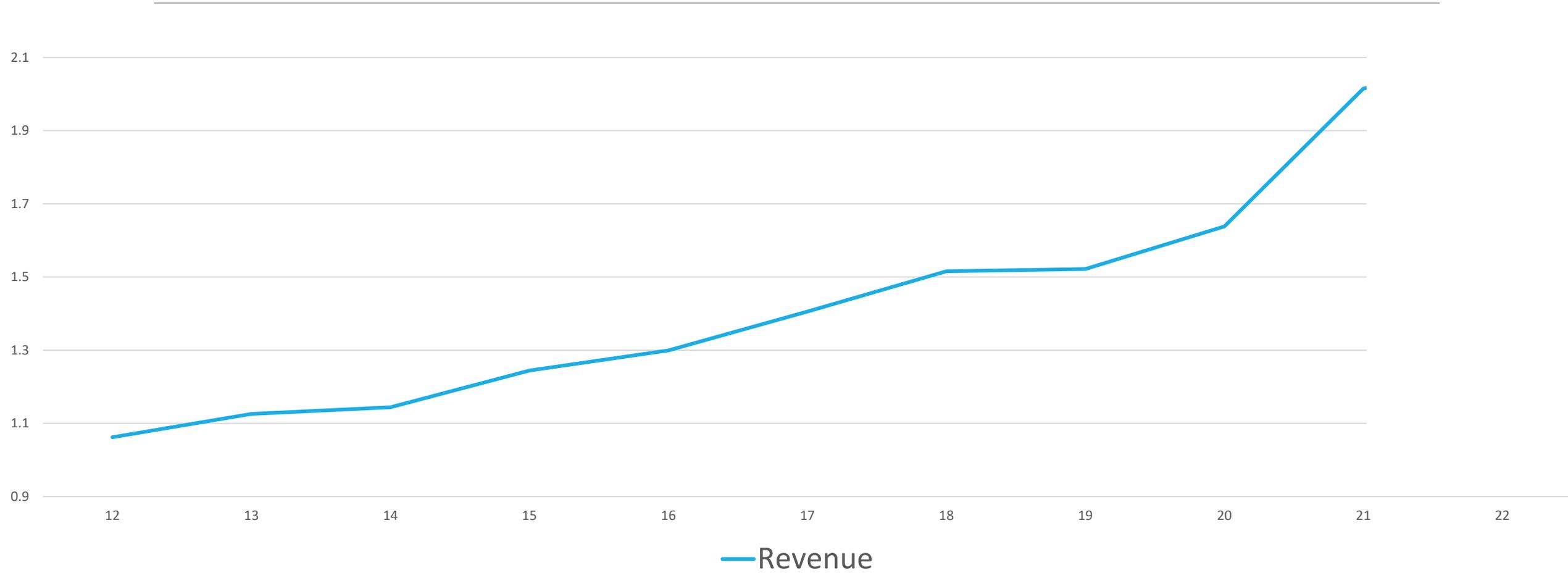


# 10-Year General Fund History

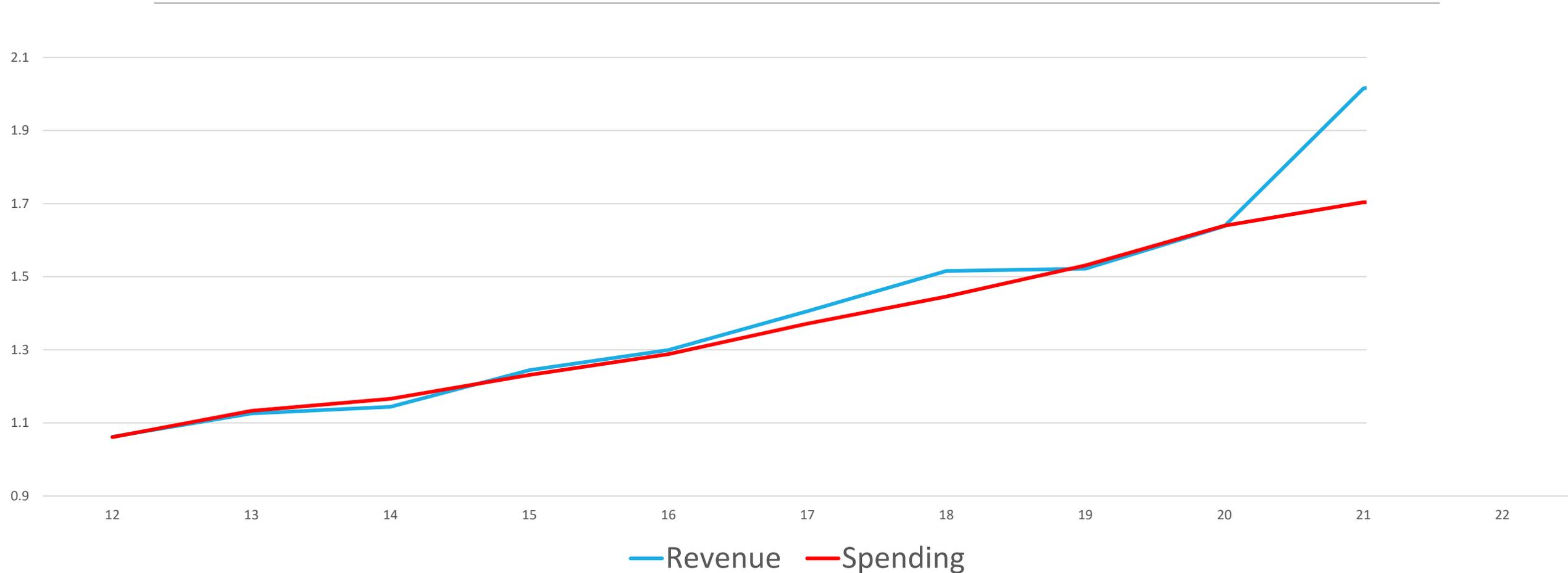


# Cumulative Growth Since 2011

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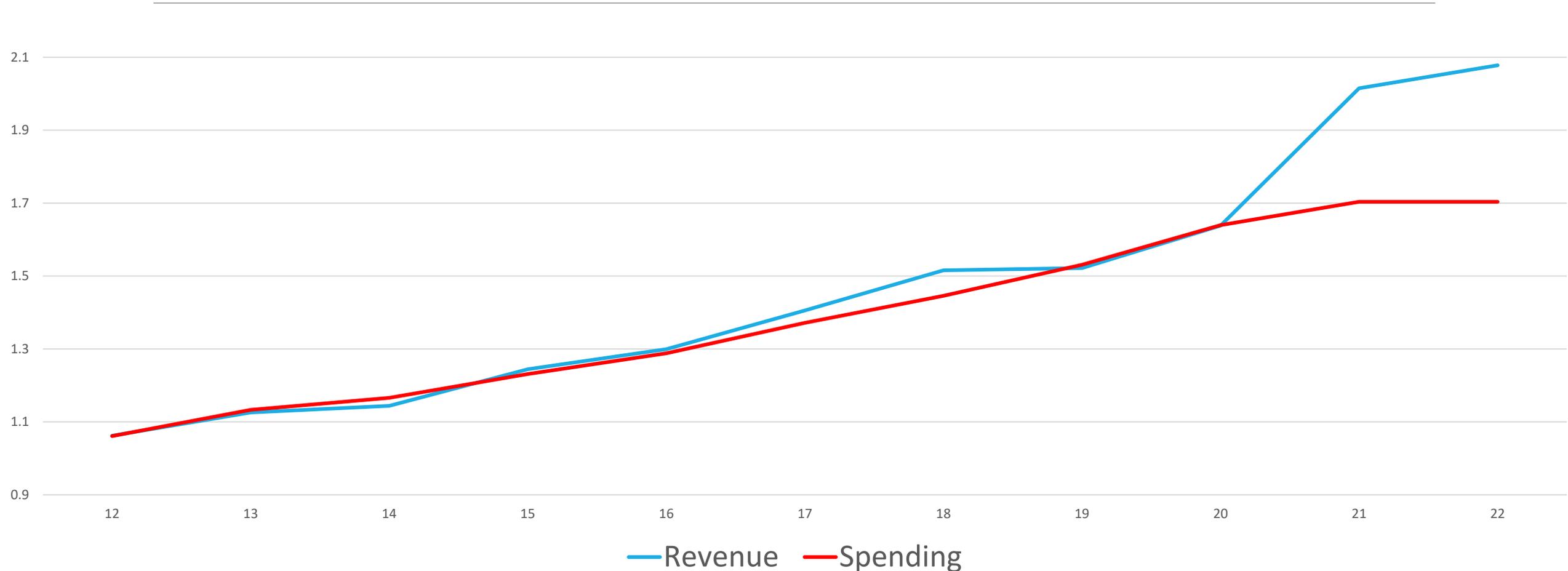


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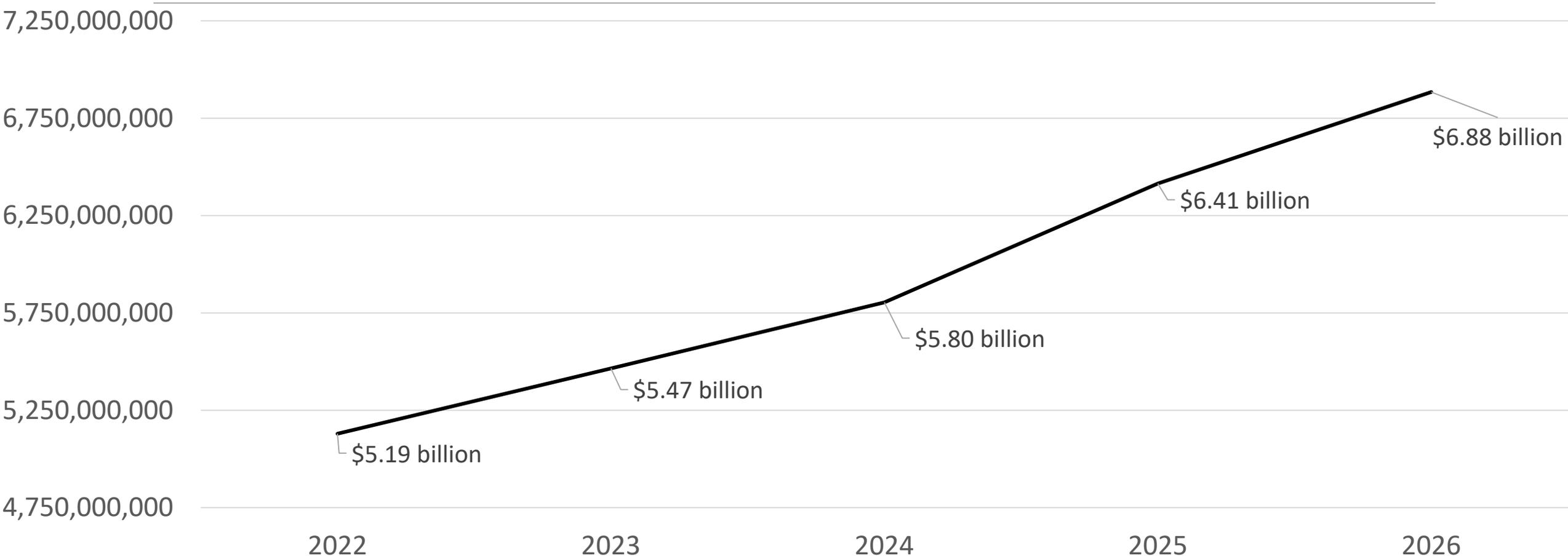


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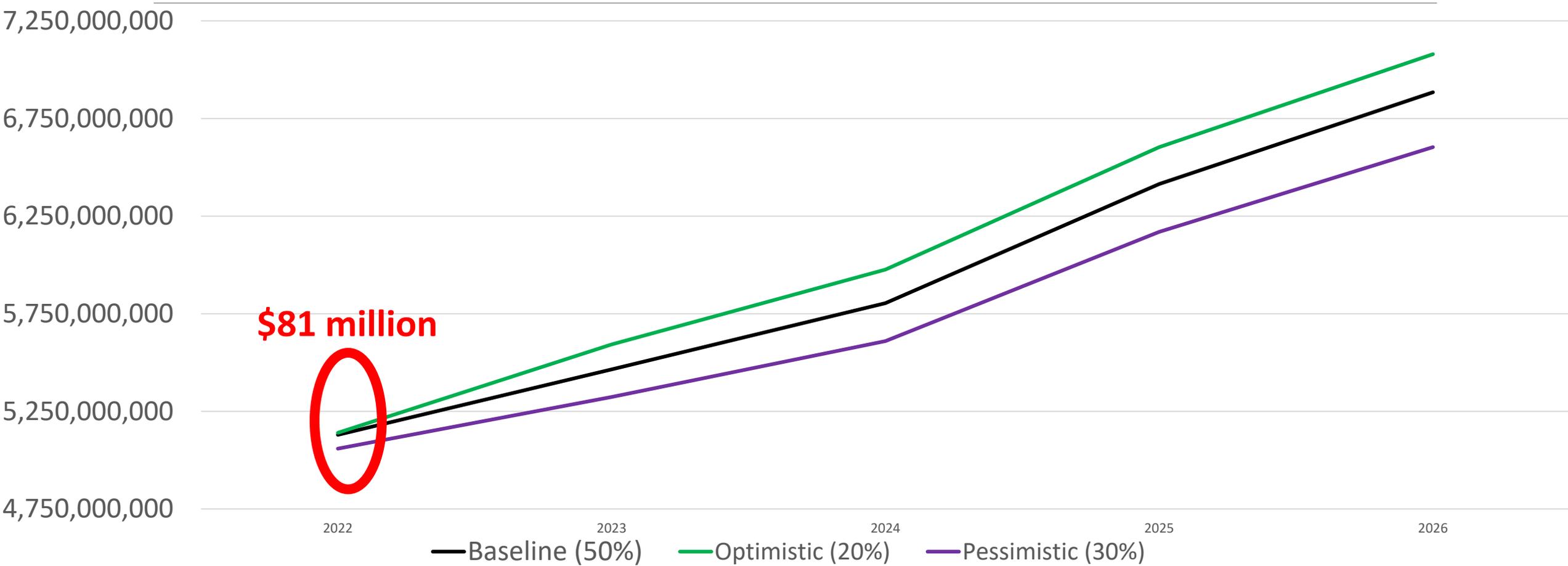
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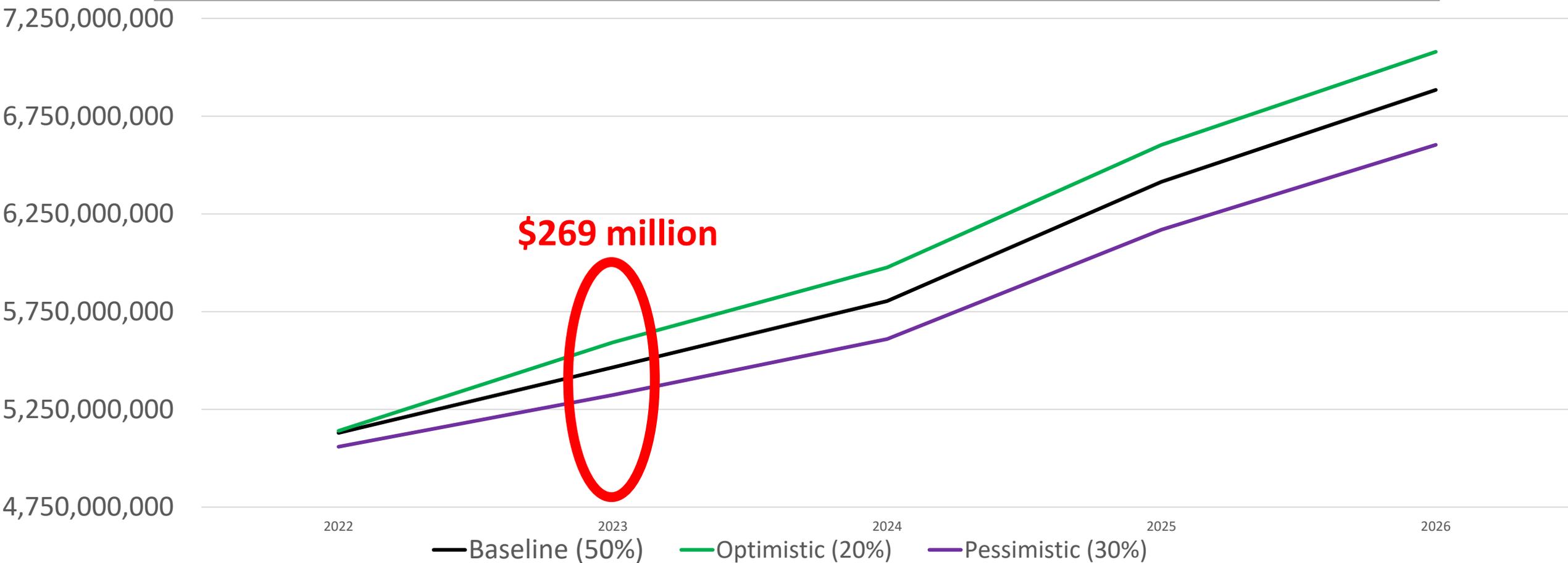
# 5-Year General Fund Revenue Forecast



# 5-Year General Fund Revenue Forecast



# 5-Year General Fund Revenue Forecast



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# Hedging for Uncertainty

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- Structures budget around conservative revenue forecasts
  - FY 22 Weighted Average: \$5,171,332,500 (3.2% growth)
  - FY 23 Pessimistic: \$5,322,634,000 (2.9% growth)
- Leaves a larger-than-usual ending balance as a cushion for total revenue
  - FY 22: \$214,227,800 (3.7% cushion)
  - FY 23: \$214,465,900 (4.1% cushion)
- Bolsters rainy day funds
  - BSF to statutory max (15%): \$119,896,600
  - PESF to statutory max (8.3%): \$121,000,000

**22%**

of FY 23 revenue in reserves

# Hedging for Uncertainty

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- Pre-pays future expenses
  - 27<sup>th</sup> Payroll Fund: \$20,000,000
  - Fire Suppression Deficiency Fund: \$150,000,000
- Lowers out-year costs
  - Pays off debt: Bond Program (\$175,754,000), CAPP (\$10,738,000), and GARVEE (\$18,485,000)
  - One-time capital costs: \$75,000,000 for veterans homes, for example
- Embeds conservative assumptions to ensure 5-year balance with current forecast
  - Presumes no enhanced Medicaid federal match in FY 2023

# Governor's Budget Recommendation

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FY 2022

FY 2023

Estimated Beginning Balance

Total Revenues

Total Transfers

Expenditures

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**Estimated Ending Balance**

# Governor's Budget Recommendation

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	<u>FY 2022</u>	<u>FY 2023</u>
Estimated Beginning Balance	\$ 889,524,000	\$ 214,227,800
Total Revenues	\$ 4,883,525,200	\$ 5,039,273,900
Total Transfers	\$ (1,024,822,600)	\$ (472,896,600)
Expenditures	\$ (4,533,998,800)	\$ (4,566,139,200)
<b>Estimated Ending Balance</b>	<b>\$ 214,227,800</b>	<b>\$ 214,465,900</b>

# Comparing 4 Years of Budgeting

	FY 2020	FY 2023
Federal Inflation		
Spending Increase		
Spending Per GSP		
Education Increase		
Transportation General Fund Increase		
Tax Relief		
Bonded Debt (Estimated Principal)		
Rainy Day Balance		

# Comparing 4 Years of Budgeting

	FY 2020	FY 2023
Federal Inflation	2.07%	4.99%
Spending Increase		
Spending Per GSP		
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# Comparing 4 Years of Budgeting

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Federal Inflation	2.07%	4.99%
Spending Increase	7.1%	8.1%
Spending Per GSP		
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# Comparing 4 Years of Budgeting

	FY 2020	FY 2023
Federal Inflation	2.07%	4.99%
Spending Increase	7.1%	8.1%
Spending Per GSP	4.7%	4.4%
Education Increase		
Transportation General Fund Increase		
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Rainy Day Balance		

# Comparing 4 Years of Budgeting

	FY 2020	FY 2023
Federal Inflation	2.07%	4.99%
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Transportation General Fund Increase		
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Education Increase	\$113 million (6.3%)	\$227 million (11%)
Transportation General Fund Increase	\$0	\$200,000,000
Tax Relief		
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Rainy Day Balance		

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Transportation General Fund Increase	\$0	\$200,000,000
Tax Relief	(\$959,200)	(\$251,232,100)
Bonded Debt (Estimated Principal)		
Rainy Day Balance		

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Transportation General Fund Increase	\$0	\$200,000,000
Tax Relief	(\$959,200)	(\$251,232,100)
Bonded Debt (Estimated Principal)	\$210,225,000	\$0
Rainy Day Balance		

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Tax Relief	(\$959,200)	(\$251,232,100)
Bonded Debt (Estimated Principal)	\$210,225,000	\$0
Rainy Day Balance	\$533 million (14%)	\$1.1 billion (22%)

# FY 2023 Maintenance Adjustments

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- Employee Benefit Costs - \$6,682,300
  - Health Insurance: \$12,500/person
  - Backstopped by ARPA: \$25,000,000
- CEC: \$50,040,700
  - 5% Total (inclusive of fully funded 2% pay structure shift)
- Nondiscretionary Adjustments: \$101,200,000

# Education

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- Teacher Pay
  - \$1,000 *Kids in School* bonuses in FY 22: \$17,760,600 (ARPA)
  - Career ladder acceleration: \$36,473,700 (ARPA)
- School Employee Benefits
  - Health insurance to match state appropriation: \$105,431,500
  - One-time buy-in: \$75,500,000
  - Leadership Premiums Offset: (\$19,718,100)

# Education

	Deductible For Family	Average Monthly Cost for Family Coverage
State of Idaho	\$950	\$327
School District 1	\$6,000	\$985
School District 2	\$1,500	\$634.50
School District 3	\$2,250	\$1,046

# Education

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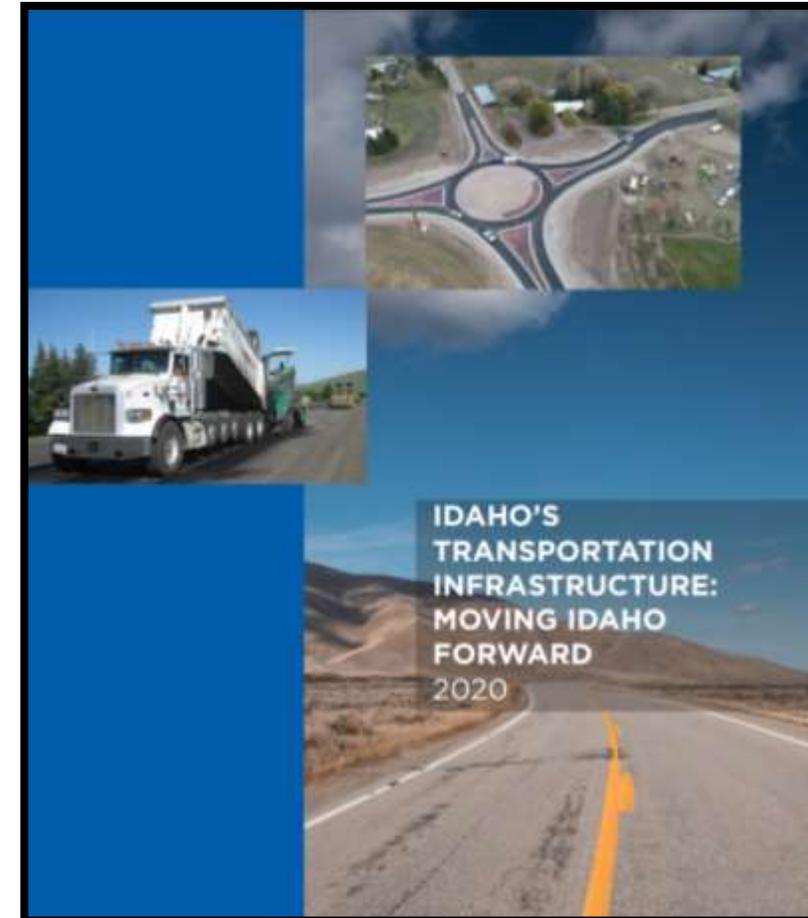
# Education

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- Literacy Enhancement: \$46,665,200
- Empowering Parents Grants: \$50,000,000 (ARPA)
- CTE for K12 and Community Colleges: \$33,250,000
- Workforce Development: \$50,000,000 (ARPA)
- Broadband: \$225,000,000 (ARPA/IIJA)

# Transportation

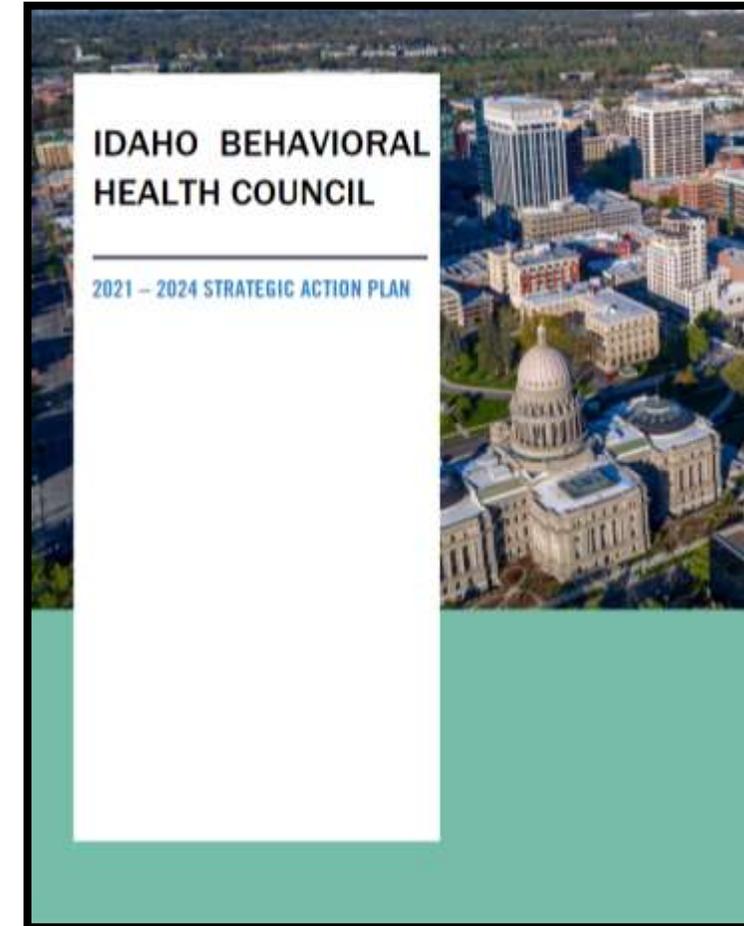
- Ongoing Maintenance: \$200,000,000
  - State: \$120,000,000
  - Local: \$80,000,000
- Local Bridges: \$200,000,000 (one-time)
- Miscellaneous
  - Air: \$6,400,000
  - Rail: \$8,000,000
  - Port: \$10,000,000
  - Pedestrian safety: \$10,000,000



# Behavioral Health Council

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- Mental health crisis line: \$4,400,000 (ARPA)
- Safe teen reception centers: \$6,500,000
- Youth crisis centers: \$4,420,000
- Community behavioral health clinics: \$12,000,000 (ARPA)
- Psychiatric residential treatment facilities: \$15,000,000
- Recovery center operations: \$600,000 (ARPA)
- Law enforcement diversion grants: \$2,500,000
- Trauma-informed treatment: \$500,000
- Interagency Data Sharing: \$2,500,000



# Health Care Capacity

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- Health Education Training: \$13,002,000
- State Veteran Homes: \$75,000,000
- High Risk Reinsurance Pool: \$25,000,000
- Child Welfare: \$8,824,200

# Comprehensive Criminal Justice Reform

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- Behavioral Health Council and Opioid Settlement Money
- Pocatello Reentry Center: \$12,000,000
- Probation and Parole: \$1,600,000
- Women's facility: \$112,400,000

# Public Safety

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- Forensics Lab: \$29,000,000
- Increased Troopers: \$2,879,600
- Combatting Fentanyl: \$250,000
- Election Integrity: \$12,500,000

# Natural Resources

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- Water storage, conservation, and infrastructure
  - General Fund : \$75,000,000
  - ARPA: \$250,000,000
- Water quality:
  - Local water systems: \$450,000,000 (ARPA/IIJA)
  - Water remediation: \$70,000,000 (APRA)
  - Agriculture best management practices: \$20,000,000
- Energy resilience: \$15,000,000
- Outdoor recreation: \$45,000,000 (ARPA)

# Debt Defeasance

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- Bond Payment Program: \$175,754,000
- GARVEE 2012 Series: \$18,485,000
- CAPP Program at IDOC: \$10,738,000

# Deferred Building Maintenance

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- \$250 million one-time investment
- \$57.6 million ongoing increase
  - \$30 million General Fund
  - \$13.7 million from agency legislation
  - \$13.9 million from paying off bonds

State of Idaho Capital Assets Deferred  
Maintenance Liability

Initial Report to the  
Governor

November 15, 2021

Prepared by: Department of Administration

# Tax Relief

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- FY 2022 Income Tax Rebates: (\$350,000,000)
- FY 2023 Income Tax Rate Reductions: (\$251,332,100)
  - Tax Relief Fund Offset: \$94,000,000

# Rainy Day Funds

Fund	Balance as of November 30, 2020	Governor Little's Recommendation for FY 2022 – FY 2023	Net Total
Budget Stabilization Fund (BSF)	\$677,730,614	\$119,896,623	\$797,627,237
Public Education Stabilization Fund	\$80,257,050	\$121,000,000	\$201,609,050
27 <sup>th</sup> Payroll Fund	\$15,014,440	\$20,000,000	\$35,068,640
<b>Total (with emergency and Millennium Funds)</b>	<b>\$850,429,635 (17%)</b>	<b>\$260,896,663</b>	<b>\$1,116,435,160 (22%)</b>

Percent of FY 2023 General Fund Revenue Collections of \$5,039M

# Outline

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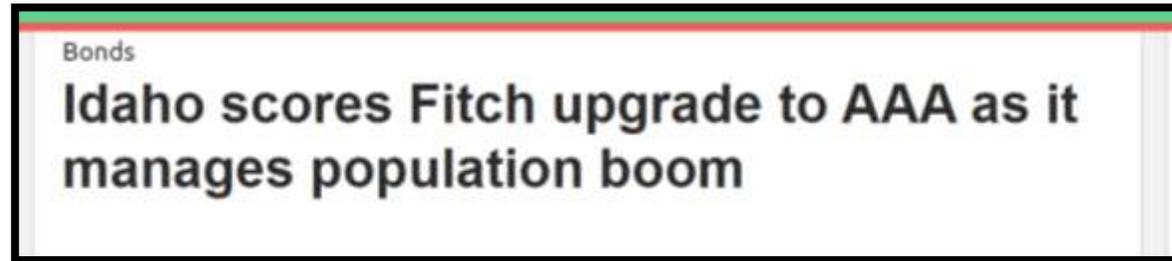
# Topline Summary

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- **Education Remains Top Priority.** Grows the K12 budget 11% this year and focuses on teacher pay (10% increase) and benefits.
- **Invests in Transportation.** Fully funds ongoing maintenance to the level of the Moving Idaho Forward study (\$200 million) and focuses on local bridge repair.
- **Provides Tax Relief.** More than \$1.5 billion in tax relief for Idaho families and small businesses over the next 5 years.
- **Major Natural Resource Investments.** Invests \$850 million in water infrastructure projects, with additional resources to energy resilience and outdoor recreation.
- **Maintains Fiscal Prudence.** Leaves a projected ending balance of more than \$200 million in both FY 22 and FY 23, maxes out the rainy-day funds (22% in reserve), pays off debt, puts us on path to pay off deferred maintenance backlog.

# Rating Agency Perspective

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“Expected discussions during the upcoming legislative session...will likely include **additional tax relief** and actions to address **general infrastructure** and substantial **deferred maintenance** needs; however, **Fitch expects Idaho to maintain structural balance and strong reserves.**”

# Questions

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**Alex J. Adams**

DFM Administrator

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# Kitchen Table Comparison

	Federal Government	Idaho
Annual Family Income	\$41,740	\$53,226
Money the Family Spent	\$60,110	\$45,660
New debt on the credit card	\$18,370	\$0
Outstanding balance on the credit card	\$262,650	\$0
Bonus (tax relief) received by family	\$0	\$2,512
Added to savings account	\$0	\$2,600